



Commonwealth of Massachusetts
DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT

Deval L. Patrick, Governor ♦ Timothy P. Murray, Lt. Governor ♦ Tina Brooks, Undersecretary

To our housing authority partners,

Thank you for your continued efforts on behalf of our many constituencies.

It is those very efforts as well as your dedication that the Patrick-Murray Administration, together with the support of the Legislature, appropriately acknowledged last year by providing an historic 33% funding increase for the challenging job you do every day of managing state-aided low income housing programs. That increased amount of funding was sorely overdue and we were pleased to be able to deliver it and provide such a substantial down payment towards meeting the costs of operating these programs.

As you all know by now, the public housing subsidy for Fiscal Year 2009 is \$66.5 million. This was an incredibly tight budget year, and although we are disappointed that the Legislature did not adopt the Governor's recommendation for \$73 million for this year, we know the Governor is not wavering in his commitment to raise the public housing operating subsidy every year until the budgeted amount matches the true need of the Commonwealth's local housing authorities.

Although the Legislature, for its part, authorized a considerable 10.5% line-item increase for the operating subsidy account in a year when many accounts were level-funded or even reduced, the \$66.5M, unfortunately, will not afford us enough to provide an increase in ANUEL in this fiscal year. Last year, we had a \$15M increase in the subsidy line. We increased ANUELS 12%; this level of increase costs \$22M on an annual basis—meaning we created a \$66M FY09 obligation. So although the \$66.5M is 10% more than last year, it actually does not allow for any new increases this year.

A particular concern to all of us this year is the escalating costs of energy, and what this will mean for housing authorities and tenants as the winter months approach. DHCD will continue to work to supplement the budget to cover these costs in the coming months. To this end, we are serving on the Governor's Task Force on Energy Costs, and the economic health of your LHAs is our primary interest in this effort. Debra Hall is also working diligently to devise creative solutions for energy savings this winter. If you have any ideas or suggestions, please contact Debra directly at (617) 573-1185 or debra.hall@state.ma.us.

The Patrick administration believes in public housing. We will not waiver on our commitment. We will continue to work in partnership with housing authorities to build upon the improvements made during FY'08. We are armed and well positioned with documented information supporting the true cost of operating state-aided public housing, the result of the time and effort of a cross-section of dedicated, nationally recognized multi-family housing professionals who worked collaboratively with us throughout this past year to determine the true cost.

Building upon our stated key goals you will note that we are providing for further local decision making, control and responsibility within the current economy.

Notably, with the exception of the required cap on operating cost growth, no other caps will be dictated. Housing authorities, for the first time, will be allowed to make and be accountable for spending decisions locally.

As a result you will see a further simplification of the Budget Guidelines themselves. The Guidelines merely highlight changes from the previous year and spotlight topics of special interest. Detailed descriptions of budget line items are located in the Accounting Manual for State-Aided Public Housing. Requirements and initiatives of a continuing nature introduced in previous Budget Guidelines are still in effect unless specifically noted otherwise by the Department.

As you plan your FY'09 budgets, we encourage you to maximize the use of funds to address deferred maintenance needs, restore operating reserves and take energy conservation measures. With utility costs now accounting for more than 40% of the total cost of operating state public housing, the need for conservation has never been greater. By demonstrating that the Commonwealth's financial support for public housing is being deployed effectively, we build the case for continued and increased support in future years.

WHAT'S NEW IN 2009:

- **0% ANUEL Increases (p. 3)**
- **No cap on Admin Salary Account Increases (p. 3)**
- **No new unfunded mandates**
- **Simplified Budget Guidelines**

Amy Schectman, Associate Director

**KEY HIGHLIGHTS AND
CHANGES IN FY'09**

1. **The allowable non-utility expense level (ANUEL) will be level-funded in FY09.**
2. **The Administrative Salaries Account (#4110) will not be artificially capped.** Housing authorities will have both the ability and responsibility for determining appropriate increases, staffing levels and positions.
3. **The Fee Accountant Schedule has not been updated. Housing authorities have the flexibility to negotiate fees which they determine to be appropriate within the ANUEL.** Historically the Schedule, when updated, has been increased by the same percentage allowed for the Administrative Salaries Account.
4. **Attention is called to Public Housing Notice 2008-07, LHA Mileage Reimbursement.**

Massachusetts Department of Housing and Community Development

FY 2009 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

BUDGETING OVERVIEW

The Department continues to reduce the content of the Budget Guidelines. Our goal in reducing the length of the Guidelines is to make it easier for executive directors and board members to have a clear comprehension of current budget issues. It is the responsibility of the local housing authority (LHA) to understand the Guidelines and to implement them effectively and in accordance with applicable provisions of the Accounting Manual for State-Aided Public Housing. We encourage you to contact DHCD staff if any part of the Guidelines or the Accounting Manual is unclear to you.

The Guidelines highlight changes from the previous year and spotlights topics of special interest. The detailed description of budget line items are located in the Accounting Manual and no longer repeated in the Guidelines. Requirements of a continuing nature introduced in previous budget guidelines, as well as announced initiatives such as bonuses announced last year, are still in effect unless specifically noted otherwise by the Department. Continuing items ultimately are chronicled in the Accounting Manual in a one-stop format that will be easier to access.

Every year, each LHA is responsible for preparing an operating budget for its programs for submission to state and federal funding agencies (DHCD and HUD) as applicable, and for reviewing its approved capital budgets. An LHA budget must be carefully and openly prepared with the full understanding of the LHA's board and tenants.

The LHA is responsible for formulating and operating within its budget. To assist the LHA, the fee accountant or LHA staff accountant will provide quarterly operating statements to the executive director which will include budget-to-actual reports for all state programs and a variance report which identifies unanticipated variances of 10% or greater in individual line items. The executive director will provide this report and written explanation of any variances to each of the board members quarterly.

The effective date for the implementation of the new budget is the first day of the LHA's new fiscal year. Until the LHA's new budget is approved by DHCD, it is authorized to spend at a level no greater than the prior fiscal year's approved level less any one-time exemptions. No new expenditures for additional staffing or salary increases may be made until the new budget has been formally approved by DHCD.

The Commonwealth of Massachusetts is required to use the GAAP (Generally Accepted Accounting Principles) accounting format for financial reporting. GAAP accounting provides a choice of two forms of reporting - governmental or enterprise. DHCD has adopted the enterprise form of reporting.

These budget guidelines apply to fiscal year 2009 which begins July 1, 2008 and includes LHA budget years of:

- July 1, 2008 - June 30, 2009,
- October 1, 2008 - September 30, 2009,
- January 1, 2009 - December 31, 2009, and
- April 1, 2009 - March 31, 2010.

Budgets are due thirty days prior to the start of an LHA's fiscal year, but an LHA with a July 1, 2008 budget start date has thirty-five days after the issuance of these budget guidelines to file its budget.

Massachusetts Department of Housing and Community Development

FY 2009 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

DHCD BUDGET APPROVAL PROCESS: Our goal is to meet the following review and approval deadlines:

1. To notify you about any incompleteness in your budget submission within ten (10) working days of its receipt;
2. To notify you of any significant questions or concerns raised by your budget within thirty (30) working days of its receipt, and
3. To complete our review and issue approvals within forty-five (45) working days of DHCD acceptance of the budgets.

WHAT YOU CAN DO TO ENSURE THE QUICKEST BUDGET APPROVAL: The key is to make sure your budget submission contains all the required documents, including:

- a) The electronic submission of all LHA program budget(s), including all required schedules, which have been prepared in accordance with the Guidelines and Accounting Manual. These budgets must include all required data and all applicable justifications for exemptions and other variances from the norm,
- b) an explanatory e-mail highlighting all major changes in the budget, as well as any areas in which the proposed budget deviates from these Guidelines, and
- c) two (2) original, fully completed, signed and sealed extract of the minutes of the board meeting approving the proposed budget together with the budget certification form, signed by all applicable board members for each budget submission. **Please note that this form signifying the board's approval is an essential element of the budget submission and must be received before we can initiate our approval process.**

Incomplete submissions may be reverted to an LHA for correction or completion. This could greatly delay approvals.

**HOUSING AUTHORITY
BUDGET Q & A:**

The following section answers some of the most common questions about the budget and its submission process and is provided for easy reference for the LHA and its constituents in understanding the LHA's budgeting.

A. What does the 400-1 budget represent?

The 400-1 budget represents the LHA's conventional housing programs (c. 200, c. 667 and c. 705). It is one budget prepared for the consolidated operation of the LHA's state-aided public housing programs.

B. In preparing its budget, how much flexibility will an LHA be given?

Within the requirements set by Mass General Laws and DHCD regulations, the LHA has full latitude in determining how best to budget allowable operating expenses to meet its program needs locally, provided that the LHA's management performance has been found to be acceptable.

An LHA whose management performance has been determined to be less than acceptable certain restrictions apply. The LHA will not have budget flexibility, will not be eligible for incentive programs and cannot receive salary increases until the performance has improved to an acceptable level.

C. How is an LHA's performance rated?

An LHA's performance is based on its compliance with DHCD regulations, the strength of its management systems, and its overall performance during the past year. DHCD will work with an LHA having less than acceptable performance to establish a corrective work plan which includes a timetable to address operating deficiencies or non-compliances.

D. How do spending levels apply to those 667, 689, 705, and 200 developments funded under the Section 8 New Construction and Substantial Rehabilitation Program?

Spending levels for Section 8 New Construction/Substantial Rehab developments are contingent upon the HUD allowable contract rents for the LHA's fiscal year. LHA operating costs for these programs cannot exceed the allowable contract rent for the development.

E. How is the 689 program affected?

The 689 program spending level is limited by the contribution available under the contract between the LHA and the vendor. In formulating budgets for the 689 program, adequate funding must be provided to ensure adequate maintenance services are assigned to each program development. LHAs are expected to prorate costs such as administrative salaries and related benefits, and other administrative costs in direct proportion to the percentage of an LHA's portfolio that the leased units comprise. Other costs such as travel, insurance, and accounting services should be charged on the basis of actual cost to the 689/167 program.

Massachusetts Department of Housing and Community Development

FY 2009 LOCAL HOUSING AUTHORITY BUDGET GUIDELINES

F. How are Rental Assistance budgets established?

The rental assistance spending level is established based on the administrative fee for the program. The MRVP administrative fee is \$32.50 per unit per month. Any expenditure from MRVP reserve funds, whether for routine or non-routine costs, needs prior written approval from DHCD. DHCD will not approve any budget submission or expenditure which will place the operating reserve for the rental assistance program in a negative status.

The AHVP administrative fee is \$25.00 per unit per month. The DMH project-based rental assistance administrative fee is \$40.00 per month.

G. Can LHAs that are required to implement Project-based Budgeting for their federal public housing units use the same system for their state public housing developments?

LHAs with Federal Low Rent Public Housing units greater than 250 are now required by HUD to implement project-based budgeting for their Federal programs. Inherent in this methodology is the concept that only costs directly associated with a particular project can be charged to that project and that other overhead costs must be allocated to a Central Office Cost Center (COCC). HUD provides for LHAs to fund the Central Office Cost Center with a fixed per-unit management fee to cover all COCC expenses. This poses a problem in budgeting and accounting for State programs, especially in the areas of Administrative Salaries, Legal, Other Administrative Expenses and Maintenance Labor, because these costs will now be captured by the COCC and will not be reflected as a direct cost of the State program(s).

DHCD will allow those LHAs using federal project-based budgeting to prepare the state operating budget to conform to the HUD prescribed method with some exceptions.

DHCD will allow an LHA to use a Central Office Management Fee and a Central Office Bookkeeping Fee that will be shown as an expenditure in account 4190 – Administrative Other. The fee is to be equal to the prior year DHCD approved costs for the included items plus the new budget guidelines allowable percentage increases. The LHA may request a higher fee(s) (but in no case higher than the maximum allowable federal fee of \$56.50 per occupied/leased unit for central office costs and \$7.50 occupant/leased unit for bookkeeping services), but will be required to support that amount with a detailed breakdown of the individual people and expense line items, by program, that make up the expenses and the differences between the amounts proposed, and those now being charged to the Central Office Cost Center. Such requests should be forwarded to DHCD as quickly as possible to prevent delays in budget approvals. DHCD will base its approval of such additional spending requests on the backup presented and historical spending information.

The LHA will still be required to present a budget that conforms to the allowable ANUEL set by DHCD for FY 2009. Additional funding needs due to the transition to project-based budgeting will be addressed in future years funding.

A summary of total costs by program (including all Federal and State), by line item, must be completed to allow DHCD to determine that the LHA has conformed to the allowable ANUEL increases identified in the budget guidelines. This detailed breakdown will be required to be in Excel format and e-mailed along with the budget submission.